GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:2276
ANSWERED ON:07.12.2006
RECOMMENDATIONS OF RANGARAJAN COMMITTEE REPORT
Gadhavi Shri Pushpdan Shambhudan

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government has examined all the recommendations made by the Dr. Rangarajan Committee;

(b) if so, the details thereof;

(c) the details of the recommendations accepted and implemented by the Government;

(d) the details of the recommendations which have not been accepted by the Government alongwith the reasons therefor; and

(a) if not, the present status of the Committee report?

Answer

Minister of State in the Ministry of petroleum and natural gas (Shri Dinsha Patel)

(a)to(e): In order to formulate a long-term pricing policy, the Government had constituted an Inter-Ministerial Committee under the Chairmanship of Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister to examine different aspects of pricing and taxation of petroleum products. The Committee submitted its report on 17.2.2006. The recommendations made in this report can be divided broadly into three groups as under:-

1. On pricing of petrol and diesel:

(i) Shift to a trade parity pricing formula for determining refinery gate as well as retail prices;

(ii) Government to keep at arms length from price determination and to allow flexibility to oil companies to fix the retail price under the proposed formula; and

(iii) Reduce effective protection by lowering the customs duty on petrol and diesel to 7.5%.

2. On pricing of domestic LPG and PDS kerosene:

(i) Restrict subsidized kerosene to BPL families only;

(ii) Raise the price of domestic LPG by Rs. 75/cylinder;

(iii) Discontinue the practice of asking upstream companies to provide upstream assistance, but instead collect their contribution by raising the OIDB cess from the present level of Rs. 1,800/MT to Rs. 4,800/MT; and

(iv) Government meeting the balance cost of subsidy from the budget.

3. On restructuring excise duties:

Shift from the present mix of specific and ad-valorem to a pure specific levy and calibrating the levies at Rs. 5.00/litre of diesel and Rs. 14.75/litre of petrol.

The Committee has recommended that each of the first two sets of recommendations should be implemented as integrated packages.

The Government has accepted the following recommendations of Dr. Rangarajan Committee Report:

(i) Implementation of principle of trade parity with reduction in customs duty on petrol & diesel from 10% to 7.5%.

(ii) Permitting autonomous adjustment in prices of sensitive petroleum products by Oil Marketing Companies (OMCs) without prior consultation with the Government once every month.

(iii) Restricting `in principle` subsidy on PDS Kerosene to BPL families only.

The pricing of petrol and diesel was changed from import parity to trade parity basis (weighted average of import and export parity price in the ratio of 80:20). The custom duty on petrol and diesel was reduced to 7.5% from 10% with effect from 16.6.06, reducing the protection of the refineries further. Thus, Government have accepted the major recommendations of Rangarajan Committee.